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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000895

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SUBJECT: ECON VIEW OF TAIWAN FUTURE/U.S. INTERESTS, PART II

REF: TAIPEI 774

Classified By: AIT Acting Director David Keegan,  
Reasons: 1.4 (b/d)

¶1. (C) Summary: Taiwan Minister-without-portfolio Ho Mei-yueh expressed economic-strategic views emphasizing China's threat to traditional U.S. allies in East Asia during a recent meeting with AIT Acting Director. (Part I, reftel, discussed Ho's use of strategic arguments to support a U.S.-Taiwan FTA. Septel will further discuss Taiwan's FTA views.) While we do not share her views, we believe they are widely held by top officials of the Chen Administration, and reflect a growing frustration by these top officials over their limited ability to slow or control Taiwan's economic integration into China. End summary.

#### Pan-Green Favors Japan Over China

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¶2. (C) Minister Ho argued that the United States needs Taiwan to bolster its strategic defense in the western Pacific, a view based on a Pan-Green adversarial view of cross-Strait economic as well as political relations. Right-leaning scholars from Japan at this year's U.S.-Japan-Taiwan trilateral strategic dialogue held in Taipei in January, however, did warn that a Taiwan tilt towards China would create serious strategic vulnerabilities for Japan.

¶3. (C) Attitudes in Taiwan towards Japan and China generally reflect political attitudes (Pan-Green being pro-Japan and anti-China, Pan-Blue being pro-China and anti-Japan.) Pan-Green Taiwan scholars explain that the foundations of Taiwan's social, political, and economic achievements were laid during the fifty years of Japanese rule 1895-1945, during which Taiwan achieved far higher levels of health and education than existed even on the coastal provinces of China. Many Japanese, in turn, view Taiwan favorably for historical reasons and because of shared values such as democracy and rule of law, and many Japanese companies partner with Taiwan companies for operations in China.

¶4. (C) PRC scholars are also aware of the Pan-Green's affinity for Japan. A recent article by Liu Jianfei of the PRC Central Party School's Institute of Strategic Studies describes "Taiwan independence forces" and "Japanese

rightists" as the major sources of trouble for East Asian peace and stability. He urges the world to be wary of these two "evil forces" forming an alliance.

#### Rapid Economic Integration

15. (C) Chunghua Institute of Economic Research (CIER) President Ke Chen-en recently emphasized in conversations with AIT that the cross-Straits status quo is not static, but dynamic: the two economies are rapidly integrating. Economists and analysts have long urged removing barriers (i.e., implementing the three links) to cross-Straits trade and investment precisely in order to preserve Taiwan's prosperity and prevent its "economic marginalization." Ho's sees an inevitable Taiwan "tilt towards China," leading her to worry that economic integration will not lead to conflict between China and Taiwan, but to political accommodation and common interests. Some in the Pan Blue opposition argue that such trends will render the military balance irrelevant. Pan-Green supporters like Ho seek a separate identity for Taiwan therefore resist the integration trend. Minister Ho told AIT that Taiwan is reluctant to lift restrictions on cross-Straits trade and investment because of fear this would increase China's influence over Taiwan.

#### Impact on Region

16. (C) Minister Ho intended her warning to AIT that Taiwan-PRC economic integration could bring strategic instability to refer to the larger East Asia region, not just to the cross-Straits situation. A Taiwan "tilt" towards China

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would threaten not only Japan's sea lanes, but also Japan's territorial claims. While Taiwan makes roughly the same claims as the PRC in the South and East China Seas, it uses a different rationale, and does not discuss or coordinate claims with the PRC. Taiwan political accommodation with the PRC would, at a minimum, allow Taiwan and the PRC to coordinate strategic territorial claims, including those in dispute with Japan, Vietnam, the Philippines, and Malaysia.

17. (C) A recent article in a PRC Ministry of Foreign Affairs journal noted that Taiwan is of much higher strategic value to Japan than to the United States. Cross-Straits reunification, the article argued, would place China in a much more favorable position in its disputes with Japan over access to resources in disputed territories in the East China Sea and around the Diaoyutai Islands.

#### Danger and Frustration

18. (C) There is a danger in Minister Ho's view that the current trend of rapid Taiwan-PRC economic integration will inevitably lead Taiwan to tilt towards China. If President Chen believes current trends inevitably lead to political accommodation with China, he may conclude that he must act soon to secure Taiwan's current degree of separateness from China. This may be already happening. Several local contacts have attributed President Chen's New Year's remarks on implementing "active control" over economic relations with China to his "frustration" over the current trend.

#### Comment

19. (C) The Pan-Green view that Taiwan-PRC economic integration is a threat to U.S. strategic interests reflects a Pan-Green ideological view of the region through Pan-Green Taiwan lenses. We do not know how Japan will respond to these Pan-Green arguments.

KEEGAN